

Message Text

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15

ACTION XMB-04

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 OPIC-06 SP-02

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R 310706Z OCT 75

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 8766

UNCLAS TEL AVIV 6872

FOR EXIM BANK-PASS REICH FROM TUTINO/BIERMAN

E.O. 11652: NA

TAGS: EGEN, IS

SUBJ: ASHDOD MOTORS

1. ASHDOD ASSEMBLERS OF BOTH MACK AND BRITISH LEYLAND TRUCKS. WHILE THEY ONLY PURCHASED ASSEMBLY FACILITY IN 1973, THE OPERATION HAS BEEN ACTIVE SINCE 1961. THEY HAVE CUSTOMS ADVANTAGES SINCE THEY IMPORT CKD UNITS RATHER THAN COMPLETE VEHICLES. THEY ARE ONLY TRUCK ASSEMBLERS IN THE COUNTRY.

2. ALL END USER SALES OF MACK AND LEYLAND TRUCKS IN ISRAEL APPEAR ON THE BALANCE SHEET OF ASHDOD EVEN THOUGH MANY OF THE SALES ARE MADE BY ELKON BROTHERS THROUGH NUMEROUS SALES OUTLETS. WORKING CAPITAL FINANCING IS PROVIDED BY BANK HAPOALIM WHO IS EXTREMELY HIGH ON THE COMPANY.

3. THE MAJOR REASON FOR THE HIGH INVENTORY IS THE FACT THAT MANY OF THE UNITS ARRIVE SHORT OF PARTS AND CANNOT BE COMPLETELY ASSEMBLED, PLUS THE FACT THAT THEY NEED TWO TO THREE MONTHS INVENTORY ON HAND FOR IT TO OPERATE THE ASSEMBLY OPERATION PROPERLY. THERE IS NO PROSPECT OF THEM INCREASING THE CAPITAL BASE, AND THEY SEE NO MORE HIGHLY LEVERAGED SITUATION THAN ANY OTHER COMPANY OF ITS TYPE.

4. ASHDOD GRANTS 5 YEAR TERMS TO ITS CUSTOMERS AND CLAIMS THAT
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THEY ARE NOT COMPETITIVE ON TERMS UNDER FIVE YEARS. I WOULD

RECOMMEND THAT THE EXISTING REQUEST FOR \$3 MILLION CARRIES
REASONABLE ASSURANCES OF REPAYMENT ONLY WITH THE BANK HAPOALIM
GUARANTEE AND THAT FORMAL CONSIDERATION SHOULD BE GIVEN AS SOON AS
POSSIBLE.

5. BOTH THE MINISTER OF FINANCE AND BANK HAPOALIM RAISED THE TERM
QUESTION, SUGGESTING THAT ASHDOD SHOULD BE GRANTED FIVE YEAR
TERMS. WE ARE CHECKING THE COMPETITION AT THE BERNE UNION
MEETING IN DELHI, HOWEVER YOU SHOULD NOT DELAY CONSIDERATION OF
SUBJECT REQUEST UNTIL THE TERM SITUATION IS RESOLVED.
TOON

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NNN

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